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INSURANCE OF THE UNEMPLOYED.*

Three recent studies of the relations of the German system for workingmen's insurance to charity and the unemployed, written by men of recognized authority, help us to a more accurate judgment upon some of the most troublesome issues of this vast compulsory scheme. No attempt at social reform ever had such minute and elaborate theoretic discussion before the first steps were taken; and the probable effects—especially of sick and old age insurance—upon the burden of public charity, were considered from every point of view. It was clearly seen that the value of the system would be tested, at least in some degree, by its influence upon charity. Schaeffle did not shrink from admitting that, so far as needs were taken into account, those out of work required insurance as imperatively as those whose income was stopped by other causes. He even speculated about a possible *Krisenversicherung* and *Strikeversicherung*.† The inseparable relation in which insurance stands both to charity and to the unemployed becomes year by year more definite in the discussion and in certain practical proposals. Indeed, the certainty that some form of public intervention was inevitable—either by poor laws or by compulsory insurance—was the moving force that led to the latter method. If there had been good evidence that the masses would have eventually insured themselves upon voluntary principles, the existing system would not have come into being. It appeared that those who did not greatly need insurance secured it, while the great majority of laborers could not be expected to make the sacrifices which voluntary insurance implies. The government scheme thus dealt primarily with the weaker rather than with the stronger worker. It was freely

* *Armenpflege und Arbeiterversicherung*, von Dr. jur. Richard Freund. Leipzig, 1895

Arbeiterversicherung, Armenpflege, und Armenreform, von Dr. F. von Reitzenstein. Freiburg i. B., 1895.

Zur Frage der Arbeitslosen-Versicherung, von Professor Dr. G. Schanz. Bamberg, 1895.

† See his general discussion of workingmen's insurance in the *Handwörterbuch der Staatswissenschaften*, vol. 1. p. 500.

admitted that charity was an offensive mode of giving aid to those whose loss of income was without direct fault of their own. It is therefore natural that it should now be urged — by such men, for example, as Dr. Zacher and Professor Georg Adler — that those who need it most, those out of work without fault of their own, should have the insurance benefit. These bring a dangerous strain upon the resources of charity, and it is to these the socialist points for proof that the wages system is discredited.

It is probable, too, that the very slight results thus far realized in lightening the *Armenlast* have strengthened the feeling that more comprehensive work is necessary before the influence of the insurance system can be widely felt. In 1891 the Verein für Armenpflege appointed a commission for the investigation of the insurance legislation in its bearings upon poor laws and their administration. Dr. Freund's report, the result of this investigation, covers the returns of 108 cities and towns. The evidence is interpreted by him as, upon the whole, distinctly favorable. It is true that eight cities (Bielefeld, Elbing, Kaiserlautern, Kolmar, Metz, Schwerin, Würzburg, Zittau) deny outright that the burden of charity has been lessened. Seven others refuse to draw any conclusion. But ten of the largest cities (of above 100,000 inhabitants) send affirmative answers. It is not clear why cities of the importance of Frankfort, Stettin, Dresden, Stuttgart, Nürnberg, Braunschweig, refuse to give answers, unless the difficulties involved in forming an opinion were too great. Even by those whose replies are favorable it is often admitted that no statistical evidence can be furnished. Practically, three-fourths among these assert that the influence of the insurance legislation has been directly and indirectly beneficial to the public and the private charities. All agree that far too little time has elapsed for adequate judgment. All seem to agree that the methods of caring for the poor have improved as a result of the insurance system. A higher standard has been set both of method and of practical detail, and the needs of the poor are more promptly and more thoroughly dealt with.

Among the causes mentioned by Dr. Freund as hindering the good influence of the insurance system is the chronic con-

tingent of the unemployed (*allgemeine Arbeitslosigkeit*). In a still more recent study of the social effects of the insurance by Dr. Lautenschlager, it is said, "Sickness, accident, and age have lost something of their terror as a result of the insurance; but *loss of employment* is the ghost that has come to haunt us." A variety of experiments with the unemployed during the last few years in several German cities have only added to the general perplexity. The question has thus arisen, Can the evil be met by some form of insurance?

Investigations have been made under the direction of Professor Post, of the Ministry of Commerce,* to see what private firms have already done to insure their own workingmen against lack of employment, and to publish the methods of the labor organizations in caring for their members when out of work. In 1894 the Hessian Chamber of Commerce issued a report upon the same subject, in which it is said that some large firms had organized methods of dealing with the unemployed successfully. Following an account of the actual attempts made are these closing suggestions: "As already in Worms voluntary arrangements have been made to improve the condition of the laborer, and as later these improvements were legally systematized by the sick, accident, and old age insurance, so now we see in Worms a method introduced for dealing with those out of work. A way appears on capitalistic ground to meet the claims of labor; and we hope the example will be followed, and that upon this experience legal security may be found for the workingmen." This is a far bolder proposal than any made by the advocates of insurance as thus far developed. Yet Dr. Zacher, one of the first authorities both in the theory and the practice of insurance legislation, says, "The use of public money for this purpose [of insuring the unemployed] can be as easily justified as in the case of insurance against hailstorms"; and in connection with the question of charity he says that "the opinion is steadily gaining that such insurance of the unemployed must take the place of charity as the only right social remedy."

Professor Schanz, of Wurzburg, has now published the stiff volume cited above, *Zur Frage der Arbeitslosen-Versicherung*.

* See Nos. 1 and 2 of the *Zeitschrift der Centralstelle*, 1895.

Here the whole question of insurance for the unemployed is exhaustively considered. After giving the history of free group insurance in labor organizations and friendly societies, he endeavors to work out a statistical basis on which a far wider insurance of the unemployed would be possible. His conclusion is that, if society is willing to sacrifice anything like the energy which now goes into sick insurance, a business basis could be established on which insurance of the unemployed could safely rest. In normal and prosperous years a large reserve fund would have to be gathered. For its accumulation the statistics yielded by the sick insurance would serve as a basis. Already in the *Ortskranken-Kassen* each laborer affected by the existing laws must be registered within three days after entering upon an engagement to work. This gives elaborate statistics for further use. If the laborer sever his connection with his employer, this, too, is recorded. Thus the numbers out of work can be gauged.* The statistics under this law show also the variations within different trades. Under the old age and infirmity law the card (*Quittungskarte*) which each insured laborer must have offers additional data of the same nature.† Perhaps of equal value is the actual experience of various voluntary organizations which have worked out an insurance system for members out of employment. In many of the trades-unions the monthly percentage of unemployed is given. Indeed, it was upon just such definite local experience that the whole existing scheme of compulsory workmen's insurance was based.

Professor Schanz, however, as well as Dr. Zacher and Professor Adler, appears to value even more highly the experience of recent Swiss attempts to insure the unemployed. In Bern an agitation for the "right to work" began as early as 1888. It ended (in spite of the 50,000 signatures) in overwhelming defeat by the referendum in 1894; but from this very defeat arose a stronger feeling in favor of some form of insurance for

* In Berlin, in 1892, the maximum at work (insured under sickness law) was, in October, 240,836, and the minimum, in March, 225,840. In 1893 the maximum, in November, was 257,690, and the minimum, in January, 225,627. Thus there was a difference in 1892 of 14,996, and in 1893 of 32,063.

† See an article on the possibility of using this card for purposes of estimating the number of the unemployed, in the *Centralblatt für Socialpolitik*, vol. II. p. 67.

those out of work. A commission on the unemployed had already been appointed in Bern during the severe winter of 1892-93. The commission appealed at once to the labor organizations for help. The less skilled among the laborers were alone considered. As a special cantonal law was necessary, compulsion was not at first urged. A tentative and experimental plan for two years was completed in January, 1893. The commission in control was composed of three laborers, three employers, and three members selected by the common council. The employment bureau and the bureau for insurance were united under the commission. The city gave at first 5,000 francs yearly (now raised to 7,000), and the insured members paid 40 centimes (now 50) monthly. Those out of work receive from 1½ francs to 2 francs daily.*

Although the canton of St. Gallen had a labor bureau earlier than Bern, its attempt at insurance came later. Partly because of certain recognized weaknesses in the Bern plan, it was boldly proposed to introduce a compulsory feature. A bill was drawn in April, 1894, and passed by an overwhelming majority (111 yeas, 18 nays), in favor of compulsion. Towns under this law are authorized to introduce compulsory insurance for the unemployed. If such insurance is introduced into any town, its provisions are compulsory for laborers receiving less than 5 francs per day. The contributions of the laborer are 30 centimes per week (far higher than in Bern). The employer is not compelled to contribute; but the town is put under compulsion to the extent of 2 francs yearly for all insured,—this over and above administrative costs. If a deficit follow, one-half of it is met by the state.

The various steps towards compulsion and state regulation are seen even more clearly in Basel. There was first a private employment bureau. In 1889 its inadequacy was apparent. A public bureau established in that year proved a great advance, but this in turn was found unequal to the demands put upon it. In February, 1893, a petition was sent to the

*The *Labour Gazette* of August, 1895, says: "The feeling in favor of the regulation of unemployed insurance by the state is gaining [in Switzerland]. An account of the working of the voluntary out-of-work insurance in Bern for the year ending March 31, 1895, shows that 390 persons insured during that period, as compared with 354 during the preceding twelvemonth."

Department of the Interior, which resulted in a commission upon the unemployed.* The costs in the proposed law are to be borne by state, employer, and laborer. The obligatory features are even more distinct than in St. Gallen, in that the employer is put under compulsion.

There are other indications of the same drift in opinion and in projected legislation. Zürich, Geneva, and Lausanne have taken definite steps to consider measures for this type of insurance. In France, where some hundred trades-unions have funds for the unemployed, M. Jouffroy introduced a bill into the Chamber of Deputies in January, 1895, for obligatory insurance of the unemployed. That the idea, in spite of enormous difficulties, is gaining both in popularity and in precision of method is not open to doubt.

Professor Schanz considers the peculiar difficulties of this form of insurance before presenting his own modified scheme. The obvious difficulties are: (a) the probable inefficiency of any average group of unemployed,—the weak, the troublesome, the less skilled, being always the first to drop from the employer's list; (b) the certainty that large numbers of the unemployed have habits which render them useless for continuous work; (c) the difficulty of securing a reserve fund large enough for the multitude out of work during periods of prolonged depression; (d) the difficulty of applying tests to separate the vagrant from the "worthy." It is assumed that such insurance would necessitate a widely unified system of employment bureaus, through which the laborer could secure such supplies of work as the market at any time furnished; but what if he refuse to take the special kind of work found for him? It would seem to be an essential part of the system that, if work were found, it must be accepted. That such compulsion would cause great friction, the whole mass of experience with the unemployed shows. Professor Schanz thinks, however, that this would offer a test by which the unworthy could be discovered.

Such answer to these and other difficulties as is given comes from the safeguards introduced by the various labor associa-

* Great assistance was rendered the commission by the painstaking research and counsel of Professor Georg Adler

tions and by the Swiss cities. It is obvious, however, that the trades-unions include a class of labor so much above that with which a general insurance scheme would have to deal that their regulations would very imperfectly meet the case. It is the Swiss towns which are brought face to face with the real perplexities of low grade of labor. And here it is pointed out that the question is one of method, not of object. Society must, in some way, support the unemployed. No civilized community refuses to take on this burden. But the ordinary agencies of charity are found year by year more demoralizing to the recipient, as well as, in the long run, very expensive. The sullen spirit with which charity is received by the self-respecting poor is becoming, with the growth of democracy, an increasing practical obstacle. The experience of modern organized charity is showing, as never before, the quick and ruinous effects of idleness upon character, and especially upon family life. All these considerations give added importance to any such plan as insurance, if it prove workable, since its benefits, being conferred as rights, carry no loss of dignity. In the three Swiss experiments there is experience enough to show how some of the chief embarrassments may be avoided. As in the better labor organizations, the "unemployed benefit" is not given unless the laborer can show good cause why he is out of work.* The regulations in Bern allow no benefit if there is laziness, disobedience, or disorderly behavior. If one is turned off because of slovenly work, the benefit may be refused. The benefit is given only after the expiration of several days; nor is it continued indefinitely, but only for six weeks or two months. The recipient must have lived some months (in Bern six) in a given place, and there paid his fee, before receiving any advantage from the fund. All the Swiss cities refuse the benefit, if work is refused. Each laborer must, while out of work, present himself twice daily at the employment bureau. These and other precautions indicate the chief difficulties and the means by which it is attempted to meet them.

The more special plan of Professor Schanz attempts to

*"Keine erhalten Unterstützung welche durch freiwilligen Austritt stellenlos geworden sind"

reckon cautiously with this experience, as well as to take every advantage of the experience gained under the German sick, accident, and old age laws. After a critical survey of the three laws in their relation to the unemployed the author finds the difficulties of compulsory insurance too great. He decides, therefore, in favor of compulsory saving. The *Krankenversicherung*, with its wide membership, is chosen, and with good grounds, as furnishing the most secure basis. Preferably by statutory provision, the employer is to deduct at least 30 pfennigs weekly from the wages of all those now insured under the sick insurance law. A fund is thus to be formed, on which the laborer is to live while out of work. This avoids at a stroke the dismal duty of trying to distinguish between "worthy" and "unworthy" laborers. Nor does it matter why the laborer is out of employment. He is made aware that, while idle, he is living upon his own savings; that, when they are gone, he must begin again. Even in case of strikes there is no reason to withhold the benefit. No extra burden is thrown upon those who continue at work, nor is any new organization necessary for carrying out the scheme.

The simplicity of this plan is evident; but every reader will ask if less than \$4 a year contributed by the laborer is in any way adequate to the serious exigencies of lack of employment. And is the laborer likely to submit good-naturedly to this deduction, though, if unused, it is returned to him? It is certain, too, that the formidable multitude of socialists will reject such a plan forthwith, as the causes of the evil (as seen by socialists) are in no way touched. To the extent, however, that its introduction may be found possible, it has marked advantages over any compulsory method yet devised.

JOHN GRAHAM BROOKS.

WE understand that Professors Schmoller, of Berlin, and Lexis, of Göttingen, will publish jointly, at an early date, a general treatise on economics. Professor Schmoller will undertake economic history and development, and economic theory in its relations to general social theory; while economic theory in its narrower sense, and the analysis of present conditions, will be in the hands of Professor Lexis.

AMONG the publications of the quarter, we note the first instalment of Professor Dietzel's *Theoretische Socialökonomik* and the first volume of Professor Pareto's *Cours d'Économie Politique*. The literature of sociology is notably enriched by Professor Giddings's *Principles of Sociology*, Professor Worms's *Organisme et Société*, and Professor Patten's *Theory of Social Forces*; while the seventh volume of Mr. Booth's *Life and Labor of the People of London* gives further results of that great investigation. On monetary subjects we have M. Bourguin's *Mésure de la Valeur* and Mr. L. L. Price's compact volume on *Money in its Relation to Prices*.

An addition to the literature on economic history, of the first importance, comes in Professor Meitzen's *Siedelung und Agrarwesen der Westgermanen und Ostgermanen, der Kelten, Römer, Finnen, und Slawen*, in two volumes of text and one of appendix, the whole liberally illustrated with maps and plans.

Messrs. Longmans, Green & Co. announce a series of handbooks of political and social science, which promise to contain matter of service to the economic student. The first number, Mr. Edwin Cannan's *History of Local Rates in England*, is an independent contribution to the history of taxation. Other volumes are translations or reprints. Select documents are to appear, among which we note a collection on trades-union history, under the editorial care of Mr. F. W. Galton, and one on state regulation of wages, under that of Mr. W. A. S. Hewins.

A CURIOUS and little-noticed movement in the currency of the United States is going on, which, if no further legislation intervenes, will make a substantial change in the character of an important part of that currency,— the Treasury notes of 1890. These notes had been issued, in purchase of silver bullion, to the amount of 156 millions of dollars, when the act on which they depended was repealed in October, 1893. At that fixed figure they might have been expected to remain, since the repealing act forbade further issues, yet made no provision for retirement of those outstanding. But, in fact, their volume is being reduced; while another form of currency—silver certificates redeemable in silver dollars only—is filling the place left empty by their retirement.

This change is the result of some provisions in the original so-called “Sherman Act” of 1890, which probably were in no way expected to bring it about. That remarkable measure contained, among other provisions, the following: “no *greater or less* amount [of Treasury notes] shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom, then held in the Treasury purchased by such notes.” It contained a further provision, that, whenever silver dollars were coined from the purchased bullion, “any gain or seigniorage arising from such coinage shall be accounted for and paid into the Treasury.”

From these requirements it follows that, whenever notes are redeemed in silver dollars, they can no longer be “outstanding.” Any excess of bullion, over and above what is needed for coining the dollars used in redemption, is transferred to the Treasury’s general assets. The Treasury Department has construed this, reasonably enough, to mean that, when once notes have been paid in silver dollars, they must be retired and destroyed: then they are no longer “outstanding.” Against the silver dollars with which they have been redeemed silver certificates may, however, be issued under the general terms of the earlier acts of 1878 and 1886. On the other hand, if Treasury notes are redeemed in gold, they are held to be still “outstanding,” since the act of 1890 provides that no *less* amount shall be outstanding than the silver bullion or

dollars then held in the Treasury against the notes. When redeemed in gold, they are accordingly treated as cash in the Treasury, to be paid out at will.

It may easily happen that Treasury notes are presented for redemption in silver; either because of the regulations under which silver dollars are shipped free of charge to any part of the country, or because silver certificates can be supplied in more convenient denominations than Treasury notes. It appears from a statement in the last report of the Treasurer* that such an exchange of notes for silver first took place in August, 1893. None is on record of earlier date, possibly because no redemption in silver had been asked for, more probably because the act of 1890 had not before been construed according to its strict terms. At all events, this process began in August, 1893, shortly before the repeal of the act of 1890. For a few months, issue and retirement thus went on side by side; and consequently the maximum amount of Treasury notes outstanding at any one date (in November, 1893) was less than the total amount issued. Since 1893 there has been continuous redemption in silver, sometimes at the rate of over a million a month, sometimes in insignificant sums. The result was, by the close of the fiscal year 1894-95, a disappearance of over twelve millions of Treasury notes, replaced by as many silver dollars or certificates. By the beginning of February, 1896, the amount so retired had risen to over eighteen millions; and the total of Treasury notes outstanding, which had reached over 153 millions at its highest point in 1893, had shrunk to about 137 millions.

This transformation makes no change in the substantial responsibility of the Treasury for the maintenance at gold value of all parts of the circulating medium it has put forth. But it brings an important change in the exact nature of its responsibility for the issues of 1890. If it is allowed to go on indefinitely, it will eventually reduce the notes directly convertible into gold to the volume of United States notes, or greenbacks, fixed by the legislation of 1878.

* *Report of the Treasurer*, 1895, p. 15.